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PROGRAMME AND BUDGET

(b) PROPOSAL ON THE WAYS OF IMPROVING THE BUDGETING AND REPORTING PROCESS

Addendum

Note by the Executive Secretary

CONTENTS

		Paragraphs	Page
I.	INTRODUCTION	1 - 4	2
II.	THE DEVELOPMENT AND PRACTICES OF THE BUDGETING AND REPORTING PROCESSES IN THE UNFCCC AND THE UNCBD	5 - 18	2
III.	CURRENT UNCCD BUDGETING AND REPORTING PROCESS	19 - 25	4
IV.	THE DEVELOPMENT AND PRACTICES OF THE BUDGETING AND REPORTING PROCESSES IN THE ORGANIZATIONS OF THE UNITED NATIONS SYSTEM	26 - 41	5
V.	CONCLUSIONS	42 - 45	7

[1] ICCD/COP(4)/1.

I. INTRODUCTION

1. By decision 3/COP.3 on the Programme and Budget for the biennium 2000-2001, particularly paragraph 11, which deals with the reporting on the financial performance of the core budget of the Convention, the Executive Secretary was requested to submit proposals on how the budgeting and reporting process could be improved, taking into account the developments and practices in the United Nations Framework Convention on Climate Change (UNFCCC), the Convention on Biological Diversity (UNCBD) and any other relevant international organizations.

2. By the same decision, particularly paragraph 16, which deals with the reporting of the Supplementary Fund and the Special Fund, the Executive Secretary was requested to seek the views of the Parties on how the financial reporting to the Conference of the Parties could be improved and report on this issue to the Conference of the Parties at its fourth session.

3. In a verbal note to the Parties, dated 17 December 1999, the Executive Secretary sought the views of the Parties on the budgeting and reporting process. Regrettably no replies were received.

4. In accordance with decision 3/COP.3, the Executive Secretary presents hereby a brief overview on the budgeting and reporting processes in the United Nations Framework Convention on Climate Change (UNFCCC), the United Nations Convention on Biological Diversity (UNCBD) and the United Nations system in general. This note also includes proposals on how the budgeting and reporting process could be improved.

II. THE DEVELOPMENT AND PRACTICES OF THE BUDGETING AND REPORTING PROCESSES IN THE UNFCCC AND THE UNCBD

5. In the organizations of the United Nations system budgeting and reporting processes have developed first from object-of-expenditure budgets to programme budgets, and recent developments in some organizations are towards results-based budgeting. In both the UNCBD and the UNFCCC the budgeting and reporting processes are based on biennial programme budgets, adopted by the respective Conferences of the Parties.

6. Both the UNCBD and the UNFCCC biennial programme budgets are structurally organized into six programmes. The programme budget contains the staffing and resource requirements of each programme, together with a summary description of each programme's main activities. An explanation of major changes from the previous budget biennium is also provided. In addition, supplementary information is given on some specific activities and requirements of each programme.[2]

7. In an additional information document (UNFCCC) or addendum (UNCBD) the work programmes are presented using standard templates for each programme. The templates contain an overview of responsibilities for and information on expected results, external linkages, approved posts, new posts required, resources required and resources from outside the core budget by each programme and its subprogrammes. The UNFCCC information document includes clarification of the limits of the programme. This contains the guidelines followed and assumptions used in preparing the programme of work.[3]

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[2] For more information, please see FCCC/SBI/1999/4 and UNEP/CBD/COP/5/18.

[3] For more information, please see FCCC/CP/1999/INF.1 and UNEP/CBD/COP/5/18/Add.1.

8. The UNFCCC budget performance report[4] provides information on the income and expenditure of all four trust funds of this Convention, namely: Trust Fund for the Core Budget of the UNFCCC, Trust Fund for Supplementary Activities; Trust Fund for Participation in the UNFCCC Process; and Trust Fund for the Special Annual Contribution from the Government of Germany (Bonn Fund).

9. In regard to the core budget, the performance report focuses on the level of performance. This information is provided as percentages of budgeted resources used. The presentation of the level of performance is accompanied by brief highlights of the main output achieved by each programme. Detailed information on programme performance is provided in an information document. The performance is presented in tables by programmes listing the results and output, such as the number of events organized and documents produced. The addendum also briefly lists other achievements.

10. The utilization of the Trust Fund for Supplementary Activities is presented in a list of projects funded by this source. Each project is briefly described, and the descriptions are accompanied by the actual expenditures or commitments for the funding of each project.

11. Information on income and expenditures under the Trust Fund for Participation and the Bonn Fund is provided in a table on each fund. Detailed information on contributions to the Trust Fund for Participation as well as to the Trust Fund for Supplementary Activities is contained in an information document.[5]

12. In addition, the UNFCCC budget performance report provides information on personnel matters, administrative arrangements of the Convention, scale of contributions to the core budget, and the status of implementation of audit observations and recommendations.

13. The UNCBD budget performance report[6] provides information on the income and expenditure of all three trust funds of this Convention, namely: General Trust Fund for the Convention on Biological Diversity, including contribution from the host Government; Special Voluntary Trust Fund for Facilitating the Participation of Parties in the Convention Process; and Special Voluntary Trust Fund for Additional Approved Activities of the Convention on Biological Diversity.

14. The performance report focuses on the level of performance of the core budget. This information is provided as percentages of budgeted resources used. The presentation of the level of performance is supported by brief descriptions of the utilization of funds by each programme and by object of expenditure. The report does not include information on the accomplishments of the activities undertaken.

15. Utilization of the Trust Fund for Participation is presented as a list of meetings in which participation is supported. The list also shows the number of participants funded for each meeting.

16. In regard to the utilization of the Trust Fund for Additional Approved Activities, the information is provided in a list of main activities funded from this source and the funding used or committed for each activity.

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[4] FCCC/SBI/1999/10.

[5] FCCC/SBI/1999/INF.9.

[6] UNEP/CBD/COP/5/9.

17. In addition, the UNCBD budget performance report provides information on personnel matters and the administrative arrangements of the Convention. The scale of contributions and financial statements by the auditors for the previous year as well as the status of contributions to the three trust funds are set out in an annex.

18. The budgeting and reporting processes in both the UNFCCC and the UNCBD are based on programme budgeting. References to the expected results of each programme are included in an information document or in an addendum to the budget documents. Nevertheless the performance reporting in both conventions focuses on the deliverance of output mainly in a quantitative manner. In the UNFCCC performance report this is supported by a short description of the output of each programme.

III. CURRENT UNCCD BUDGETING AND REPORTING PROCESS

19. Until 1999, the UNCCD budget was part of the regular budget of the United Nations. The first regular programme and budget of the UNCCD for 1999 was approved by the first session of the Conference of the Parties (COP 1) in 1997 and adjusted by COP 2 in 1998, and the first whole programme and budget for the biennium 2000-2001 was approved by COP 3 in 1999. The UNCCD biennial programme budget is organized into seven programmes. The programme budget contains staffing and resource requirements by each programme together with a summary description of each programme's main activities. In an additional document, information is given on activities to be financed from the Supplementary Fund and the Special Fund.[7]

20. The first performance report on the Convention budget, covering actual expenditures as of 31 July 1999 and estimated expenditures for the remaining months of the year, was submitted to COP 3 in 1999. The first performance reports covering a full year (1999) and interim performance reports for the current biennium as of 30 June 2000 have been submitted to COP 4.[8]

21. The performance reports provide information on the four trust funds of the Convention, namely: General Trust Fund for the Core Budget (General Fund), Trust Fund for Supplementary Activities of UNCCD (Supplementary Fund); Special Trust Fund for Participation in the Process of UNCCD (Participation Fund); and Trust Fund for the Supplementary Contribution to the Convention Activities by the Host Government (Bonn Fund).

22. The reports present the performance of the programmes. The information is provided as percentages of the budgeted resources used. It is supplemented by information on the supplementary funds. The reports provide also information on main activities undertaken by each programme, supported by a brief assessment of achieved results.

23. In addition, detailed information on the utilization of the Supplementary Fund is provided in an addendum, which presents a list of activities undertaken by each programme. Each activity is briefly described, and the descriptions are accompanied by assessments of achieved results and by actual or estimated expenditures. These performance reports thus provide an example to the Conference of the Parties on how the reporting can be improved by combining programme-based reporting with elements of results-based reporting.

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[7] For more information, please see ICCD/COP(3)/2 and ICCD/COP(3)/2/Add.1.

[8] For more information, please see ICCD/COP(3)/3, ICCD/COP(4)/2/Add.3, Add.4, Add.6 and Add.7.

24. The performance report on 1999 and the interim performance report on 2000 provide detailed information on the utilization of funds, in particular the reports on the utilization of the Supplementary Fund. If the performance reporting is developed towards summarizing main activities and results, the Parties may consider whether the reports could be streamlined, for example, by presenting only the total expenditure of each activity, thus providing a better basis for policy guidance.

25. In addition to the information on the performance of the Convention trust funds, information has been submitted to the Parties on the implementation of the Convention for consideration in COP 2 in 1998, COP 3 in 1999 and COP 4 in 2000.[7]

IV. THE DEVELOPMENT AND PRACTICES OF THE BUDGETING AND REPORTING PROCESSES IN THE ORGANIZATIONS OF THE UNITED NATIONS SYSTEM[8]

26. Until recently, two types of budget existed in the organizations of the United Nations system. The first type is the object-of-expenditure budget, which allocates resources to expenditures for items such as salaries, travel and equipment required to implement activities during a given period. The second type is the programme budget, which allocates resources to specific programmes and subprogrammes, generally based on work plans and identified priorities. There has been a general trend from the object-of-expenditure budget to the programme budget in United Nations organizations, and by 1999 none of those organizations were using the object-of-expenditure budget any more.

27. In programme budgeting, programmes are formulated within the framework of a medium-term plan or a corresponding document that describes the components, legislative basis and objectives of the programme. In general, programme budgeting has focused on the review of the status and pattern of output delivery in a quantitative sense. It has not emphasized the quality and relevance of the output and to what extent the output has led to the achievement of the objectives of the medium-term plan.

28. As a possible improved evolution of the current programme budget process, the United Nations has been studying viable options available in the field of results-based budgeting. Both programme and results-based budgeting provide for resource allocations by specific programmes, with work plans and an indication of priorities. The distinguishing feature of the results-based budgeting is its primary focus on expected results and the use of performance indicators to measure achievement of those results.

29. Results-based budgeting involves the creation of a logical framework, which assists programme managers in designing the elements of the programme budget in one coherent and interrelated structure. The framework consist of objectives for a defined period of time (such as a biennium), expected results, output and input. In order to fulfil the objectives, the programme should achieve its results. For that the specific output is needed.

30. Results-based budgeting aims at ensuring that the organization will work towards achieving results and not only towards delivering output. Through the formulation of performance indicators and the link with output, the focus of the budget document will be on expected results.

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[7] For more information, please see ICCD/COP(2)/5, ICCD/COP(3)/5 and ICCD/COP(4)/3.

[8] For more information, please see A/53/500, A/53/287 and A/54/456.

United Nations

31. From 1997 the United Nations has developed guidelines for the results-based budgeting. Resolutions 52/12 B, 53/205 and 54/249 of the United Nations General Assembly reflect the consideration of a possible shift from input accounting to results-based accountability in the programme planning, budgeting, monitoring and evaluation cycle of the United Nations. Among the different issues being considered under this general budget overview/analysis, is the introduction of objectives and indicators of performance by the Committee on Programme and Coordination. However, to date the General Assembly has not endorsed the concept of results-based budgeting.

32. Likewise, several United Nations specialized agencies are undertaking budgetary reforms that include the application of results-based budgeting elements. Also a number of United Nations operational funds and programmes, funded through voluntary contributions, are introducing budgetary innovations focusing on a results framework and corporate goals. Although it is too soon to dispose of detailed information on tangible output at this early stage of the process, the budgeting and reporting processes in the United Nations Development Programme (UNDP) and the United Nations Population Fund (UNFPA) are briefly presented below as examples of applying the results-based budgeting.

UNDP and UNFPA

33. The United Nations Development Programme (UNDP) results-based management has two emphases. The first one is effective planning, performance assessment and organizational learning; the second one emphasizes accountability and external reporting.

34. In accordance with UNDP Executive Board decisions 98/1 and 99/1, UNDP has recently introduced its first multi-year funding framework (MYFF), which sets a four-year time-frame (2000-2003) for the work of the UNDP. The MYFF consists of a strategic-results framework and an integrated resources framework. During the MYFF period two biennial budgets will be formulated for implementing the MYFF.[21]

35. The strategic results framework provides a broad frame for UNDP strategic development goals and strategic areas of UNDP support activities. Expected outcomes and output are identified to enable the assessment of results.

36. Together with the strategic results framework, the integrated resources framework (IRF) brings together the resource allocation frameworks for programmes. The IRF covers the four-year MYFF period, and the UNDP biennial budgets are based on the IRF.

37. Based on the intended results outlined in the MYFF, a results-oriented annual report (ROAR) reviews and analyses the results achieved, and how those results relate to the goals and sub-goals of the Organization. Progress is measured through indicators focusing on development trends by goal, outcome (detailed analysis by selected sub-goals), and institutional performance. Financial reporting remains at a very general level on the expenditures. The first ROAR, reporting on 1999, does not offer detailed information on how the funding was used.[22]

38. Every four years a multi-year funding framework report (MYFFR) provides an in-depth assessment of performance against planned resources.

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[21] For more information, please see DP/1999/30.

[22] For more information, please see DP/1999/23/Add.1.

39. The UNFPA multi-year funding framework (2000-2003) was developed in response to Executive Board decisions 98/24 and 99/5. The MYFF is composed of a results framework and an integrated resources framework.[1]

40. The results framework consists of broad organizational goals and indicators for assessment of the achievement of the goals, output and indicators for measuring progress towards achieving the output, and key programme strategies, defined as ways in which UNFPA deploys its resources to obtain results. The integrated resources framework presents resource requirements emphasizing the relationship between results and resources. The UNFPA biennial budgets are based on the integrated resources framework.

41. The first annual report, containing provisional information on annual progress in contributing to goals and providing output, and on the status of financial implementation of the resources framework, will be available in 2001 for the year 2000. A multi-year funding framework report will be provided at the end of the four-year MYFF cycle.

V. CONCLUSIONS

42. In the light of the development of the budgeting and reporting processes in the UNFCCC and the UNCBD, and in the United Nations system, the Conference of the Parties might wish to consider various options to improve the budgeting and reporting process in the UNCCD.

43. The first option would be to continue the preparation of the next biennial budget on a programme basis. The main structure of the budget could follow its present form. The second option would be to develop the budget on a programme basis, but include the best elements of the programme budgeting and the results-based budgeting. These elements could emphasize the expected results, accomplishments of the programme and indicators to assess those accomplishments. The third option could be the results-based budgeting, which could include the development of a framework of objectives, output, expected results and performance indicators.

44. The Executive Secretary would, in any option continue to improve transparency and structure of budgeting and reporting with the aim of providing the Conference of the Parties with accurate information for its policy guidance.

45. The documents on the implementation of the Convention cover a period of 12 months, from October to the following September, while the performance reports cover a calendar year. If the performance reporting is developed towards summarizing main activities and results, the Parties may consider combining the performance reports and the implementation reports. Thus one document could cover both activities and resources utilized. Such reports could cover a calendar year or the Conference of the Parties could consider the possibility of receiving biennial reports from 2001 onwards.

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[1] For more information, please see DP/FPA/2000/6.